AN ANALYTICAL STUDY ON INVESTMENT BEHAVIOUR OF INDIVIDUAL INVESTORS IN INDIAN STOCK MARKET

with reference to Dhanbad city

A SYNOPSIS

SUBMITTED TO

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ON

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S. No.	Content	Page no.
1.	Introduction	3
1.1.	Investor	3-4
1.2.	Investment Behavior	4
1.3.	Factors Affecting investment behavior of individual investor	4
2.	Review of Literature	5
3.	Problem to be investigated	7
4.	Objective	7
5.	Hypothesis	7
6.	Research Methodology	8
6.1.	Research Design	8
6.2.	Sample Design	8
6.3.	Data collection	8
6.4.	Statistical tools & Technique	9
7.	Limitation of the study	9
8.	References	9-10

1.**INTRODUCTION**

Investment through the stock market plays an important role in the growth and development of Indian economy. Stock market is an indicator of the economic & business conditions in a country that is why not only government and stock exchange board of India but central bank of India (RBI) is also vigilant about its performance. Stock market provides platform to a large no. of buyers and sellers and help them to satisfy their need. Through investing in stock market we means are providing funds to the company to expand their business or start a new venture, which brings growth and development for the nation.

The word 'Investment' can be defined in several ways according to different basis and theories.

Generally investment is employment of funds with the aim of achieving additional income or growth in value. The main element of an investment is that, it involves 'waiting' for a reward. It involves the commitment of resources which have been saved or put away from current consumption in the hope of some benefits will accrue in future. Their care many alternatives of investment depends on the needs orrequirements of the investor. So before going to invest the investor must analyze alternatives of investments in terms of their risk, return, time, convenience, liquidity, safety, marketability etc.

Investment alternatives include share market debentures, Bond, mutual fund, life insurance, gold silver, Platinum, Bank deposit, real state etc. all the above investment alternatives have different feature in terms of risk, return liquidity, marketability etc.

According to economics point of view- investment means the net additions to the economy's capital stock which consists of goods and services that are used in the production of other goods and services. Here, the term investment implies the formation of new construction, new producers durable equipment such as plant, machinery equipment and inventory.

Accounting to Finance point of view- investment refers to the buying of a financial product that are expected to yield some gain or positive return over a given period of time. It includes stock, equity, Bond mutual fund, fixed deposits, gold, silver etc. In Present study Investment behavior of individual investors Dhanbad city towards financial Product will be studied.

1.1**INVESTORS**

There are three types of investors individual investors, institutional investors and foreign institutional investors (FIIs) **out of which we have taken only individual investors from Dhanbad city for our proposed study.Individual investors** are persons who buy and sell securities for their personal account and not for another company or organization. They are also known as retail investor or small investor.

Institutional investors are mutual fund, hedge fund, unit trusts, insurance companies, banks, businesses, large money manager and other institutions which invest their members money in shares and bonds. They have professional, analystsadvisers and experts who can usually analyses the stock market trends much better than individual investors. They trade in large volume and paly a crucial role in the stock market.

Foreign institutional investors are venture capital funds, pension funds, hedge funds, mutual funds and other institution registered outside the country of the financial market in which they take an investment exposure. **FPIs/FIIs** one of the biggest drivers of India's financial markets.

1.2**INVESTMENT BEHAVIOR**

Investment behavior simply means how the investor judge, predict, analyze and review the procedure for decision making which includes investment psychology, information gathering, defining and understanding. Research and analysis. The whole process is " investment behavior".

1.3**FACTORS AFFECTING INVESTMENT BEHAVIOR OF INDIVIDUAL INVESTORS**

There are number of factors which affect the investment behavior of individual investors in India. These are –

- **Risk Tolerance**- Risk refers to variability in return or volatility in return. It is the chance of the actual return less than the expected return. The amount of risk the investor is willing to take on is an extremely important factor.
- **Return**- Return is the motivating force and the principal reward in the investment process it is key method available to investors in comparing alternative investment. It also refers to whether the investor needs to emphasize capital appreciation or regular income.
- **Time horizon**- time horizon, is the period of time one expects to hold an investment until they need the money bank. Time horizon affects investors investment goal and strategies. E.g., some investors may invest for some shorter goals.
- **Market Trends**- the trends of the economy also affects the investment behavior of the investors, because at the time recession or stagflation no one want to invest but at the same time investors want to invest at the time of prosperity.
- **Gender factor**- The research provides evidence that gender factor affect the investment decision regarding the investment avenue while taking the choice of investment. Powelll and ansic (1997), found that gender is important explanatory factor affecting confident in investment decision. Female were less confident about their decisions after controlling for factors such age experience, education, knowledge and assets holdings.
- **Age factors**- Age plays a crucial role on their behavioral biases which later affect their investment decision and behavior.
- **Income factors or level of income**- investor with higher level of income level is likely to invest more compared of more to those investor with low level of income who invest a small proportion of their income.
- **Tax factors**- some investments provide tax benefits. If a person has some tax liability. He prefers to invest in those assets which are eligible for tax benefits.
- **Financial literacy**- if a person is financial literate then he prefer to invest stock market rather than to invest in other form of investment.
- **Occupation factor** – occupation of the investors also affect the investment decision and also there is a relationship mark extent of between level of occupation and their investment decision.

2. REVIEW OF LITERATURE

SCMRD for Ministry of Company affairs (2005) found that mainstream of the retail investors do not look upon mutual fund equity schemes as a finer investment compared to direct equity.

Davar and Suveera, (2007) in their study revealed that class of investors with growing age develops maturity and knowledge for making decisions concerning the convention of their surplus and accessible funds in the light of on the whole financially viable needs of family .

Al Ajmi (2008) study exemplifies that shareholder by way of added financial obligation, those impending towards retirement or retired focused a turn down in the direction of risk forbearance.

Nayak (2010) tries to investigate the nature of investor's grievances as well as evaluate the role of grievance redressal agencies. By applying convenient random sampling technique he collects primary data on the investor's demographic profile, knowledge about various grievances, awareness about the functions of various grievances redressal agencies, loading of complain and their satisfaction level in Valsad district of Gujarat State. By using chi square analysis he shows that there is significant difference between the various demographic variables and investor's knowledge of grievances, awareness of functions of redressal agencies, loading of complain and their satisfaction level.

Varadharajan and Vikkraman (2011) focus on identifying the investors' perceptions towards investment decision in equity market. Using ANOVA on a sample size of 50 investors in Coimbatore they study their attitude towards selection of stock, company, risk, equity portfolio, financial affairs and their expected return. They find that there exists an independency between the demographics, majority of the factors and the returns obtained.

Murugan (2012) Investors attitude towards investment option in Nellore region" The research explores most of the investors are relatively unaware of the corporate investment avenues like equity and preference shares, mutual funds, corporate debt securities and deposits. The study explores respondents are highly aware of traditional investment avenues like real estate, bullion, bank deposits, life insurance schemes, and small savings schemes. Further, the economic independence females are very low participation in investment decisions.

Sidharthul Munthaga(2013), "Investment Pattern of Rural Investors in Nagapattinam District of Tamilnadu" , The Study concludes most of the respondents are interested to invest in insurance, Post Office Savings (NSC), Public Provident Fund and Bank Deposit except Investors having more than fifty years.

Gaurav Agrawal, et.al(2013),"Investor's Preference towards Mutual Fund in Comparison to other Investment Avenues" The study explores almost all of the investors are aware about Banks & Life Insurance Companies, Mutual Funds and Real Estate, National Saving Certificates, Gold. Some of the investors have unaware about the Public Provident Fund, Equity Shares & Bonds.

S Ramprasath (2014) found that Investment avenue such as Bank deposits, bullion, Life insurance Policies, Post Office small saving schemes have been preferred. Factor such as safety, higher rate of return and security have motivated the sample individual investors to invest in particular investment avenue. He also studied that level of awareness of the individual investors or risk and return on bullion high followed by real state and bank deposits.

HariomDivakar (2016) found that, The investment in security, wrong and limited information about stock market makes the investor uninterested and fearing of stocks option. The better reach of other secured and low risk investment option against the stocks option is drawing almost the entire investment share contributed by small investors.

P Govindsamy (2017) The study on investor behavior in the capital market reveals that the demographic variables, namely, gender, age, qualification, occupation and annual income of the respondents significantly influence the behavior of the investors in the capital market. Majority of the Investors are married . Half of the Investors are prefer to invest in private sectors. Majority of Investors has only 1 to 3 years of experience, try to reinvest in the same investments and monitor their investments within 30 days in the capital market. The investors are largely influenced by news paper and social media and the major non-media sources for the investors are Colleagues/neighbors' and Family members. 36% of investors are not reading the terms of the investments due to opportunity was not given, time not available, details not known, and language barrier.

Sarkar and sahu (2018) found that Majority of the investors in the stock market are graduates in academic qualification and in occupation most of the investors are businessperson. Maximum of the investors in the stock market are experienced in this field as they are making investment in stock market for more than five years and The objective of most of the investors to invest in stock market is to make short term profit .

Ajay singh (2018) INVESTMENT BEHAVIOUR FOR INDIAN SECURITIES MARKET: A STUDY OF INDIVIDUAL INVESTORS IN NCT DELHI" studied that Maximum of the investors in the stock market are experienced in this field as they are making investment in stock market for more than five years and The objective of most of the investors to invest in stock market is to make short term profit. Individual financial aspects including the demographic variables and socio-economic attributes such as time stage of life, monetary outflow, sexual category, profession plays a dynamic function in investment behaviour. Investment decision making process for securities market is significantly dependent on financial literacy and investor's awareness.

Research Gap After reviewing the above literature, now it can be stated that many researcher had previously conducted research relating to investment pattern, some researcher studied on the basis demographic variables based on different factors. But no researchers conducted survey on investment behavior of investors in share market i. e., new issue market and secondary market with reference to Jharkhand specifically to Dhanbad city, Because investors of Dhanbad city are not alike that of other developed city such as Mumbai, Delhi, Chennai, Kolkata, Ahmedabad, Bengaluru etc. And also no researchers had examined the impact of local factors on the economy of Jharkhand. This gap will be sought to unfold in our study.

3. **PROBLEM TO BE INVESTIGATED**

Stock market Investors are increasing day by day. It is important to know what things are attracting the individual investor while investing in share market. The main objective of this study is to throw light on the investment in share market of individual investors in Dhanbad city. This study will also help to understand the awareness of individual investor when they invest their saving into the stock market. In this study, while interacting with the investors of Dhanbad city is not only to take information from them but also to give information and enlightening them about the risk involved in stock market.

4.**OBJECTIVES**

1. To study the awareness of investors of Dhanbad city towards investment in stock market.
2. To study the investrment preference of investors of Dhanbad city.
3. To study the demographic factors influencing share market investment behaviour of individual Investors.
4. To explain the investors about the procedure of trading in share market.
5. To acquaint and make aware the investors of Dhanbad city about the precaution taking while buying and selling of share in stock market.

5.**HYPOTHESIS**

H0 There is no significant effect of demographic factors (i.e., Gender, Age, Income, Education) of the investor on awareness in share market.

H1There is significant effect of demographic factors (i.e., Gender, Age, Income, Education) of the investor on awareness in share market.

H0The individual investors who know the stock market does not prefer to invest in equity share

H1The individual investors who know the stock market prefer to invest in equity shares.

H0 Investor objectives regarding investment are not influenced by demographic factors.

H1 Investor objectives regarding investment are influenced by demographic factors.

H0The individual investor's know the technical and fundamental methods of analyzing the market price of share.

H1The individual investor's do not know the technical and fundamental methods of analyzing the market price of share.

H0 The individual investor's know the SEBI Rules, Regulation and Guidelines relating to stock market.

H1The individual investor's do not know the SEBI Rules, Regulation and Guidelines relating to stock market.

6.RESEARCH METHODOLOGY

Research methodology is a system of model procedure and techniques used to solve the research problem. It includes various steps. That are generally adopted by researcher in studying research problem.

6.1RESEARCH DESIGN

The present study is associated with opinion, view & behavior of the investors towards stock market, so it is by nature descriptive. In this study filed survey of descriptive nature will be used. Descriptive research tries to describe the characteristics of respondents in relation to a particulars product, things or a practice etc. in our study we will try to analyses the relationship between demographic factor and others factors with the investment behavior of the investors of Dhanbad city.

6.2 SAMPLE DESIGN

This study tries to ascertain the behavior of individual investor in Dhanbad, Jharkhand. The investors i.e., respondents selected from the stock broking Agency or any others option which available in Dhanbad district for the purpose of collecting date. The purposive or convenience sampling method can be used to select the individual investors.

6.3 DATA COLLECTION

In this will be collected from both primary data as well as secondary .The primary data will be collected from dhanbad city with the help of :-

QUESTIONNAIRE

PERSONAL INTERVIEW

The secondary data will be collected through :-

WEB SITES

BOOKS

MAGZINES

NEWSPAPER

GOVERNMENT PUBLICATION

STOCK EXCHANGE PUBLICATION etc.

6.4 **STATISTICAL TOOLS AND TECHNIQUES**

1. The following statistical tools and techniques can be used for the analysis and interpretation of data:-
    - MEAN AND STANDARD DERIATION
    - CORRELATION
    - REGRESSION
    - GRAPH AND DIAGRAM
    - T TEST,CHI-SQUARE TEST,F TEST,Z TEST,ANOVA etc.

7.**LIMITATION OF THE STUDY**

- In present study the investors of Dhanbad city will be covered.
- The data will be based on the response of the sample of Dhanbad investor only.

8. **TENTATIVE CHAPTERISATIONS**

1. Introduction
2. Review of literature
3. Research methodology
4. Data analysis and Interpretation
5. Finding of the study
6. Implication, Conclusion and Suggestion.

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